

## Message Text

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ACTION EB-07

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O R 160851Z JAN 75

FM AMEMBASSY TAIPEI

TO AMEMBASSY SEOUL IMMEDIATE

INFO SECSTATE WASHDC 3975

C O N F I D E N T I A L TAIPEI 0260

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: ETRD, KS, TW

SUBJECT: U.S. ROK BILATERAL TEXTILE MEMORANDUM OF UNDERSTANDING

DEPT FOR OFFICE OF FIBERS AND TEXTILES

SEOUL FOR USE WITH DEPUTY PRIME MINISTER

FROM JURICH

1. THE US-ROK RENEGOTIATION OF THE MULTI-FIBRE TEXTILE  
AGREEMENT REVOLVED AROUND THE FOLLOWING MAJOR ELEMENTS:

2. THE ROK INSISTED UPON A SUBSTANTIAL INCREASE IN THE  
AGGREGATE STARTING IN THE FIRST YEAR OF THE NEW THREE-  
YEAR AGREEMENT. THIS WAS ULTIMATELY AGREED TO BY THE  
U.S. EVEN THOUGH AS A RESULT OF THE FRONT LOADING IN  
THE EXISTING AGREEMENT THERE WAS NO OBLIGATION UPON THE  
U.S. TO AGREE TO THIS DEMAND. THIS CONCESSION RESULTED  
IN OVER 100 MILLION YARDS OVER THE COURSE OF THE PROPOSED  
AGREEMENT. IN ADDITION THE GROWTH RATE FOR THE SECOND  
YEAR WAS SET AT 6.25 PERCENT AND FOR THE THIRD YEAR AT  
6.75 PERCENT.

3. A LARGE NUMBER OF MAJOR INCREASES, SOME UP TO 100  
PERCENT, IN MANY CATEGORIES WERE ALSO REQUESTED.

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MOST OF WHICH WERE AGREED TO BY THE U.S. THE ROK ALSO

PROPOSED THAT A NUMBER OF EXCEPTION BE MADE IN  
COVERAGE AND THESE WERE LARGELY AGREED TO BY THE U.S.  
SIDE.

4. AS A RESULT OF THESE SIGNIFICANT AND SUBSTANTIAL  
CONCESSIONS, THE U.S. SIDE INSISTED THAT A DECREASE  
IN THE GROWTH RATE IN 8 PARTICULARLY SENSITIVE  
CATEGORIES BE ACCEPTED BY THE GROC AS A QUID/PRO QUO.  
ACCEPTANCE OF THIS PROPOSAL WAS ABSOLUTELY ESSENTIAL  
FOR THE U.S. SIDE TO BE ABLE TO JUSTIFY ITS CONCESSIONS.  
SPECIFICALLY, THE CATEGORIES WERE: 219, 221, 234, 235,  
45/46/47, 120, 224 (KNIT SUITS AND JACKETS) AND 237.  
IT SHOULD BE STRESSED THAT IN EACH CASE THERE WAS NO--  
REPEAT--NO CUT BACK IN ACTUAL TRADE LEVELS.

5. RELATIVE TO CATEGORIES 219, 221, 234, AND 235, THE  
GROWTH RATE AGREED UPON WAS: FIRST YEAR - 0 PERCENT,  
SECOND YAR - 4 PERCENT, THIRD YEAR - 5 PERCENT. FOR  
CATEGORIES 45/46/47 (EACH FIGURE NOT AVAILABLE BUT  
APPROXIMATELY 3-4 PERCENT FOR EACH OF THE 3 YEARS).

6. CONCERNING CATEGORIES 120, 224 (KNIT SUITS AND  
JACKETS) AND 237, WHICH COVER THE PARTICULARLY SENSITIVE

PROBLEM OF THE SUIT AND JACKET SECTOR, THE U.S. ORIGINALLY  
ASKED FOR A 10 PERCENT REDUCTION IN CATEGORY 120, 35  
PERCENT REDUCTION IN CATEGORY 224 (KNIT SUITS AND

JACKETS) AND NO CHANGE IN THE CONTROL LEVEL FOR  
CATEGORY 237. IN EACH CASE, THE U.S. PROPOSAL REFLECTED  
FIGURES WHICH WERE ABOVE THE EXISTING TRADE LEVELS  
EVEN THOUGH THE CONTROL LEVEL WAS REDUCED. THE FINAL  
AGREEMENT, AFTER CONSIDERABLE DISCUSSION, WAS THAT  
THE CONTROL LEVEL OF CATEGORY 120 WOULD REMAIN THE SAME  
FOR 3 YEARS. CATEGORY 237 WOULD BE INCREASED  
FROM 560,000 SQUARE YARDS TO 700,000 SQUARE YARDS  
AND REMAIN AT THAT LEVEL FOR 3 YEARS. AS A RESULT  
OF THESE CONCESSIONS, THE U.S. SIDE INSISTED THAT  
THERE BE AN ACTUAL REDUCTION IN THE LEVEL FOR 224 IN  
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(KNIT SUITS AND JACKETS.

7. THE COMPLICATING FACTOR WHICH LEAD TO THE SUB-  
SEQUENT ERROR IN THIS CATEGORY WAS THAT IN ADDITION TO  
THE DISCUSSIONS ON A REDUCTION, THE KOREAN SIDE  
ASKED FOR A CHANGE IN THE COVERION FACTOR. THE CON-  
VERSION FACTOR PREVIOUSLY HAD BEEN BASED UPON POUNDS  
AT 7.8 LBS. PER SUIT. THE NEW CONVERSION FACTOR

REQUESTED BY THE ROK AND AGREED TO BY THE U.S. WAS 4.5 SQUARE YARDS PER SUIT. THE CONTROL LEVEL FOR THIS PART OF 224 FOR SUITS WAS 1,282,051 LBS. OR 10 MILLION SQUARE YARDS IN THE OLD AGREEMENT. SEVERAL PERCENTAGE REDUCTIONS WERE DISCUSSED AND FINALLY 40 PERCENT WAS AGREED TO BASED UPON ERRONEOUS CALCULATION BY THE U.S. SIDE THAT THIS REPRESENTED, AN ACTUAL REDUCTION IN THE NUMBER OF UNITS. A SIMILAR SEQUENCE OF ERRORS WAS MADE CONCERNING THE JACKETS PART OF CATEGORY 224. THE ERRORS IN THE MEMORANDUM OF

UNDERSTANDING RATHER THAN SHOWING A REDUCTION ACTUALLY CONTAINED AN INCREASE OF APPROXIMATELY 300 PERCENT.

8. THE ERROR WAS IMMEDIATELY CAUGHT BY THE COMMERCE DEPT. IN WASHINGTON WHEN IT REVIEWED THE FIGURES IN

PREPARING THE FORMAL NOTE. AT THAT TIME MR. MICHAEL SMITH OF THE STATE DEPT. AND MR. ARTHUR GAREL OF COMMERCE WERE STILL IN THE FAR EAST AND WERE IMMEDIATELY ADVISED TO DETOUR TO SEOUL BEFORE RETURNING HOME AND CORRECT THE ERROR. OUR EMBASSY IN SEOUL WAS ALSO

ADVISED AND TOLD TO INFORM THE ROK SIDE OF THIS DEVELOPMENT. MESSRS. SMITH AND GAREL THEREUPON RETURNED TO SEOUL WITHIN A WEEK OF THE SIGNING TO INFORM THE ROK. BY THIS TIME A NUMBER OF OTHER ERRORS WERE ALSO FOUND WHICH WERE NOT IN FAVOR OF THE ROK SIDE. MESSRS. SMITH AND GAREL WERE NOT CATEGORICALLY REBUFFED BY THE ROK. IN THEIR REQUEST TO CORRECT THE 224 ERROR. HOWEVER, THE ROK DID INSIST THAT THE OTHER ERRORS WHICH WERE NOT IN THEIR FAVOR BE CORRECTED.  
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9. DURING THE PAST 2 DAYS IN SEOUL THE ROK SIDE MADE IT CLEAR THAT THEY WOULD NOT CORRECT THIS ERROR BUT THEY WOULD RENEGOTIATE THE 224 FIGURES SIGNIFICANTLY UPWARD. THE HISTORY OF THE NEGOTIATION CONCERNING 224, AS CAN BE SEEN FROM THE ABOVE, HAS NOT BEEN REFLECTED IN THE MEMORANDUM OF UNDERSTANDING WHICH FACT HAS NEVER BEEN DENIED BY THE ROK.

10. THE U.S. SIDE BELIEVES IN THE STRONGEST POSSIBLE TERMS THAT THERE IS A MOST SERIOUS QUESTION OF GOOD FAITH AND INTEGRITY OF THE NEGOTIATING PROCESS. THIS

VIEW IS FURTHER SUPPORTED BY THE SUBSEQUENT ACTION TAKEN BY THE ROK WHEN AFTER THIS ERROR WAS BROUGHT TO THE ATTENTION OF THE ROK BY MESSRS. SMITH AND GAREL, THEY ALLOCATED TO THEIR INDUSTRY LEVELS WELL IN EXCESS OF THE DISPUTED LEVEL. THEY HAVE NOT ATTEMPTED TO USE THIS AS A FURTHER ARGUMENT FOR REFUSING TO SIMPLY CORRECT THE ERROR AND ARE ATTEMPTING TO RENEGOTIATE. DURING THE DISCUSSIONS IN THE PAST 2

DAYS, THEY HAVE REDUCED THEIR DEMAND TO APPROXIMATELY A DOUBLING OF THE ORIGINAL INTENDED FIGURE.

11. AS CAN BE SEEN FROM THE ABOVE SENARIO, THE 8 SENSITIVE ITEMS WERE THE QUID PRO QUO FOR THE SIGNIFICANT INCREASES GIVEN IN THE AGGREGATE AND IN MANY OTHER CATEGORIES. TO EXPECT, THEREFORE, THAT THE U.S. SIDE WOULD HAVE CONSCIOUSLY AGREED TO A 300 PERCENT INCREASE IN ONE OF THESE SENSITIVE ITEMS IS LUDICROUS. IT SHOULD ALSO BE MENTIONED THAT THE ITEMS IN DISPUTE ARE THE PRINCIPAL CAUSE OF THE DEMONSTRATIONS BY THE AMERICAN TEXTILE LABOR UNIONS, MUCH OF WHICH WAS DIRECTED SPECIFICALLY AGAINST KOREA. THE ROK WAS WELL AWARE OF THIS DEVELOPMENT.

12. THE ROK WAS ADVISED YESTERDAY AFTER THEY CONSISTENTLY REFUSED TO CORRECT THE ERROR, AND IN CONFIDENTIAL

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FACT THREATENED TO TAKE THE U.S. TO THE TEXTILE SURVEILLANCE BODY AND THE INTERNATIONAL COURT OF

JUSTICE IF WE DIDN'T ACCEPT THEIR PROPOSAL, THAT THE U.S. WOULD HAVE TO CONSIDER POSSIBLE WITHDRAWAL OF THE MEMO OF UNDERSTANDING. THE EFFECT OF THIS ACTION WOULD BE TO KEEP THE EXISTING AGREEMENT IN FORCE WHICH IS FAR LESS LIBERAL AND THEREBY WOULD HAVE AN IMMEDIATE EFFECT UPON ROK TRADE. MORE IMPORTANTLY, WOULD BE THE SERIOUS ADVERSE REPERCUSSIONS IN RELATIONS WITH U.S. SIDE-- ITS INDUSTRY, LABOR AND CONGRESS, WHICH WOULD TAKE THIS AS A BREACH OF FAITH. A NEW NEGOTIATION WOULD SUBSEQUENTLY HAVE TO BE UNDERTAKEN WITH THIS BACKGROUND AND AT A TIME WHEN U.S. AND ROK ECONOMIES ARE BOTH IN DIFFICULTY THEREBY COMPOUNDING THE PROBLEM.

13. THE ROK AND ITS INDUSTRY HAVE INDICATED THE NEW AGREEMENT IS MOST FAVORABLE. IT WOULD BE SHORT-SIGHTED AND ILL ADVISED FOR BOTH ECONOMIC AND POLITICAL REASONS TO HAVE IT WITHDRAWN. IT IS FULLY RECOGNIZED THAT THERE IS A "FACE PROBLEM"

WITH THE ROK NEGOTIATING SIDE SINCE THEY APPARENTLY  
ADVISED THEIR GOVERNMENT AND INDUSTRY OF THIS ERROR.  
NEVERTHELESS, IN THE INTEREST OF CONTINUED STRONG  
AND FAVORABLE RELATIONS BETWEEN THE U.S. AND ROK,  
THIS MATTER MUST BE CORRECTED IMMEDIATELY AS PRO-  
POSED BY THE U.S. WE WILL NOT--REPEAT--WILL NOT  
RENEGOTIATE THIS ISSUE.  
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## Message Attributes

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